

SHAW CENTER FOR THE ARTS, L.L.C.

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2013

SHAW CENTER FOR THE ARTS, L.L.C.
Baton Rouge, Louisiana

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Shaw Center for the Arts, L.L.C.
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the **SHAW CENTER FOR THE ARTS, L.L.C.**, (a non-profit organization) (Shaw Center), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **SHAW CENTER FOR THE ARTS, L.L.C.** as of June 30, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 27, 2013, on our consideration of the **SHAW CENTER FOR THE ARTS, L.L.C.**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **SHAW CENTER FOR THE ARTS, L.L.C.**'s internal control over financial reporting and compliance.


Certified Public Accountants

Baton Rouge, Louisiana
December 27, 2013

SHAW CENTER FOR THE ARTS, L.L.C.

Baton Rouge, Louisiana

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 333,355	\$ 71,861
Receivables:		
Rental	64,535	27,025
Related parties	3,322	105,185
Other	1,475	3,525
Prepaid insurance	<u>11,092</u>	<u>5,599</u>
 Total current assets	 413,779	 213,195
 FIXED ASSETS, net	 <u>34,089,664</u>	 <u>35,167,689</u>
 Total assets	 <u>\$ 34,503,443</u>	 <u>\$ 35,380,884</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 43,736	\$ 71,470
Accrued expenses and other current liabilities	3,317	50,960
Deferred revenue	<u>79,204</u>	<u>39,854</u>
 Total current liabilities	 126,257	 162,284
 NET ASSETS - UNRESTRICTED	 <u>34,377,186</u>	 <u>35,218,600</u>
 Total liabilities and net assets	 <u>\$ 34,503,443</u>	 <u>\$ 35,380,884</u>

The accompanying notes to financial statements
are an integral part of this statement.

SHAW CENTER FOR THE ARTS, L.L.C.

Baton Rouge, Louisiana

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2013 and 2012

	Totals	
	2013	2012
SUPPORT		
Rental income	\$ 757,868	\$ 716,672
Contributions and sponsorships	373,457	357,095
Settlement	300,000	-
Event income	71,310	127,879
Fundraising	3,712	24,481
Special events and other	2,770	2,185
Total support	<u>1,509,117</u>	<u>1,228,312</u>
EXPENSES		
Program:		
Depreciation	1,078,025	1,078,357
Occupancy	1,016,659	925,925
Events	17,193	36,243
Fundraising	1,996	12,054
General and administrative:		
Personnel	118,418	116,667
Professional	81,474	70,313
Insurance	13,670	17,405
Repair and maintenance	8,175	12,051
Supplies	4,700	1,104
Advertising	2,186	12,735
Other	8,035	5,952
Total expenses	<u>2,350,531</u>	<u>2,288,806</u>
Decrease in net assets	(841,414)	(1,060,494)
NET ASSETS		
Beginning of the year	<u>35,218,600</u>	<u>36,279,094</u>
End of the year	<u>\$ 34,377,186</u>	<u>\$ 35,218,600</u>

The accompanying notes to financial statements
are an integral part of this statement.

SHAW CENTER FOR THE ARTS, L.L.C.

Baton Rouge, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (841,414)	\$ (1,060,494)
Adjustments for non-cash items:		
Depreciation	1,078,025	1,078,357
Change in operating assets and liabilities:		
Pledges and receivables and prepaid insurance	60,910	(94,063)
Accounts payable and deferred revenue	<u>(36,027)</u>	<u>61,731</u>
Net cash provided (used) by operating activities	261,494	(14,469)
CASH		
Beginning of year	<u>71,861</u>	<u>86,330</u>
End of year	<u>\$ 333,355</u>	<u>\$ 71,861</u>

The accompanying notes to financial statements
are an integral part of this statement.

SHAW CENTER FOR THE ARTS, L.L.C.

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and operations

The Shaw Center for the Arts, L.L.C. (Shaw Center), a Louisiana limited liability company, is a not-for-profit organization that was formed to revitalize downtown Baton Rouge with a performing arts theater, arts and cultural center, a museum of art, and space for residential and commercial purposes. The project was made possible through a combination of public and private contributions.

The Shaw Center has two organizational members, which are the Douglas Manship Sr. Theater Complex, L.L.C. and LSU Museum, L.L.C., each owning a 50% member interest. The Douglas Manship Sr. Theater Complex, L.L.C. is owned by the Baton Rouge Area Foundation, a not-for-profit organization. Additionally, the LSU Museum, L.L.C. is owned by the LSU Property Foundation, L.L.C., a not-for-profit organization that is an affiliate of the LSU Foundation. These financial statements do not include any financial activity of the two members.

The State of Louisiana, LSU Foundation, the Baton Rouge Area Foundation and the City of Baton Rouge/Parish of East Baton Rouge have provided significant funding for the Shaw Center facility.

Basis of presentation

The Shaw Center prepares its financial statements in accordance with generally accepted accounting principles. The significant accounting policies are described below to enhance the usefulness of the financial statements.

The Shaw Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Shaw Center does not have temporarily or permanently restricted net assets. The statement of activities presents expenses of the Shaw Center's operations functionally as program, fundraising/special events, and general and administrative.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for depreciation and deferred revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For purposes of the statement of cash flows, the Shaw Center considers cash in bank accounts as cash. The Shaw Center has an agreement with its bank for automatic investment services whereby excess operating funds are invested daily at a competitive rate of return. The investment is a repurchase agreement with the bank and the investments are in certain securities issued by the United States Government or agencies thereof, which are considered cash equivalents.

Receivables

Management believes that all receivables are collectible at June 30, 2013 and 2012; therefore, no allowance for doubtful accounts was recorded. The Shaw Center does not require collateral for its receivables. Accounts over 90 days past due at June 30, 2013 and 2012 totaled \$28,912 and \$17,680 respectively.

Temporarily restricted net assets

The Shaw Center's initial source of funding consisted of contributions dedicated to the construction of the Arts Block project. The Shaw Center recognized these contributions as temporarily restricted. As the amounts are expended for their intended purpose, such support was reclassified to unrestricted assets. Amounts that are not spent from restricted funding sources have been classified as temporarily restricted net assets. All temporarily restricted net assets have been spent for their intended purposes.

Fixed assets and depreciation

Purchased or constructed fixed assets are recorded at cost. Fixed assets are depreciated over their estimated useful lives at the time the asset is placed in service using the straight-line method.

Revenue recognition and deferred revenues

The Shaw Center receives the majority of its income through rental income, contributions and sponsorships that are recognized when received. All contributions and sponsorships are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted contributions or sponsorships whose restrictions are met during the same reporting period are recognized as unrestricted revenue. Additionally, the Shaw Center receives income from the rental of space for scheduled events. These rental payments are often received in advance of the event date. Such amounts are recorded as event income when the related services are performed, or obligations are satisfied. Deferred revenue consists of payments received in advance of the event date.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

The Shaw Center is a non-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Shaw Center follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes it has no material uncertain tax positions and, accordingly, has not recognized a liability for any unrecognized tax benefits. The Shaw Center's open audit periods are 2010 through 2013.

Fair value

The carrying value of cash, receivables, accounts payable, accrued expenses and deferred revenue approximate fair value due to the short-term maturity of these instruments. None of the financial instruments are held for trading purposes.

In-kind contributions

The value of in-kind contributions to the Shaw Center are recognized at the fair market value of the benefit received, unless immaterial. In-kind contributions during 2013 and 2012 consisted of \$371,957 and \$355,594, respectively, of utility services provided to the Shaw Center facility by the State of Louisiana. See Note 3.

Contribution of services are recognized in the financial statements if the service enhances or creates non-financial assets or requires specialized skills, are provided by individuals possessing these skills and would typically be purchased if not provided by donation. A substantial number of unpaid volunteers have made a significant contribution of their time to develop the Shaw Center's programs, principally in fundraising activities, operations, and board participation. The value of this donated time is not reflected in these statements since such services do not meet the definition as previously described.

Vacation and sick leave

Employees of the Shaw Center receive up to 20 days vacation and 10 days of sick leave annually. Unused days lapse and are not paid upon employee's termination or retirement. As a result, the leave is recognized as an expense when it is taken. Accordingly, amounts related to such absences have not been accrued.

Advertising

The Shaw Center expenses advertising costs as incurred. Advertising expenses of \$2,186 and \$12,735, respectively, were incurred for the years ended June 30, 2013 and 2012.

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 financial statement presentation.

NOTE 2 - FIXED ASSETS

Fixed assets, related service lives, and accumulated depreciation at June 30, 2013 and 2012, are as follows:

Description	Estimated Service Lives	2013	2012
Buildings	40 years	\$ 42,133,600	\$ 42,133,600
Building improvements	40 years	880,409	880,409
Equipment and software	3-5 years	26,350	26,350
Signage	15 years	40,122	40,122
		43,080,481	43,080,481
Accumulated depreciation		(8,990,817)	(7,912,792)
Fixed assets, net		<u>\$ 34,089,664</u>	<u>\$ 35,167,689</u>

The State of Louisiana owns the land on which the facility is located. See Note 6. Depreciation expense was \$1,078,025 and \$1,078,357 for the years ended June 30, 2013 and 2012, respectively.

NOTE 3 - SIGNIFICANT SOURCES OF REVENUE

The State of Louisiana, through the cooperative endeavor agreement, has agreed to provide repair and maintenance, and utility services for the Shaw Center, as well as the related chilled water system. However, any property leased to commercial tenants is excluded from the State's commitment. Finally, this commitment is subject to annual appropriation by the Legislature of the State of Louisiana. In the event that funds are not authorized, the Shaw Center will be responsible for such expenses. The Shaw Center recognized \$371,957 and \$355,594 for these services for 2013 and 2012, respectively.

NOTE 4 - RETIREMENT PLAN

The Shaw Center offers retirement benefits to eligible employees electing to establish a 401(k) retirement account, and includes a matching contribution of 5% of eligible compensation. Participants are fully vested in contributions made to their retirement account. During the years ended June 30, 2013 and 2012, the Shaw Center contributed \$1,598 and \$2,043, respectively, for participants.

NOTE 5 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which subject the Shaw Center to concentrations of credit risk consist primarily of receivables. Concentrations of credit risk for receivables are generally diversified due to the large number of entities and individuals that compose the Shaw Center's rental clients. Management believes the risk is limited.

NOTE 5 - CONCENTRATIONS OF CREDIT RISK (Continued)

The Shaw Center maintains cash in bank deposit accounts at a financial institution with balances, at times, exceeding the federal insured limit; however, management believes the credit risk is limited.

The Shaw Center collects rental fees from individual and corporate clients in the Baton Rouge area.

NOTE 6 - COMMITMENTS

Leases

The land on which the facilities are located is owned by the State of Louisiana and is leased to the Shaw Center through Louisiana State University (LSU) for a ninety-nine year term ending November 15, 2011. There are no scheduled payments associated with this lease as the financial contributions made to build the Shaw Center project have been accepted as the consideration.

The Shaw Center has entered into leasing arrangements with its members, Douglas Manship Sr. Theater Complex, L.L.C. (which is subleased to and paid by Douglas Manship Sr. Theater Complex Holding, Inc.) and LSU Museum, L.L.C., for occupying certain areas of the arts building. The leases have a ninety-nine year term. The two members are obligated to pay a pro-rata share of the operating expenses of the Shaw Center and on-going support from these organizations is essential to sustain the operations of the Shaw Center. During 2013 and 2012, the Shaw Center received rent of \$722,920 and 683,307, respectively, from these two organizations. Additionally, amounts due from related parties at June 30, 2013 and 2012 were \$3,322 and \$105,185, respectively.

The Shaw Center has also entered into a leasing arrangement with The Downtown Redevelopment, L.L.C. to sub-lease certain areas for retail, commercial, and residential use. The Downtown Redevelopment, L.L.C., an affiliate of the Baton Rouge Area Foundation, is required to build facilities to meet the needs of sub-leased tenants. See Note 3. During the years ended June 30, 2013 and 2012, the Shaw Center received \$30,622 and \$28,142 from this lease arrangement as rental income.

NOTE 7 - SUBSEQUENT EVENTS

In preparing these financial statements, the Shaw Center has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

Special Independent Auditors' Report

SHAW CENTER FOR THE ARTS, L.L.C.

Baton Rouge, Louisiana

June 30, 2013



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Shaw Center for the Arts, L.L.C.
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of **SHAW CENTER FOR THE ARTS, L.L.C.** (Shaw Center) (a non-profit organization), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 27, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Shaw Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Shaw Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Shaw Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Shaw Center's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency, as defined above, and is reported as Item 2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Shaw Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

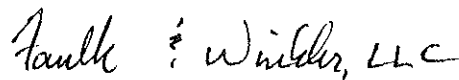
Shaw Center's Response to Findings

The Shaw Center's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Shaw Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Shaw Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Shaw Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of the Board of Directors, management, state and federal granting agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



Certified Public Accountants

Baton Rouge, Louisiana
December 27, 2013

SHAW CENTER FOR THE ARTS, L.L.C.
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2013

A) SUMMARY OF AUDIT RESULTS

1. The type of report issued on the financial statements: **Unqualified opinion**
2. Significant deficiencies in internal control were disclosed by the audit of financial statements: **2013-1**
Material weakness: **None noted**
3. Noncompliance material to the financial statements: **None noted**

B) FINDINGS – FINANCIAL STATEMENT AUDIT

2013-1 Segregation of Duties/Financial Oversight

Observation: We have the following observations concerning financial oversight of the Shaw Center:

- Segregation of duties is not sufficient to have effective internal control over financial reporting. The finding results from the small staff size of the organization. These limitations allow no opportunity for meaningful segregation of duties. The individual responsible for preparing cash disbursement transactions also has the responsibility for recording and reconciling all transactions in the accounting records.
- On the other hand, disbursements are approved by individuals not associated with the financial reporting process. Additionally, the Shaw Center's operating activity is reported to the Finance Committee on a regular basis.
- The Shaw Center relies on its auditors' to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, the auditor cannot be considered part of the Shaw Center's internal control, and because of limitations of the Shaw Center's accounting staff, the design of the internal control does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Recommendation: We continue to recommend that all checks in excess of \$10,000 require two signatures. Additionally, management should review the unopened monthly bank statement for unusual activity before bank reconciliations are performed by the accountant.

Procedures should also be developed to provide for independent review of the monthly general ledger and any journal entries recorded.

Since the Shaw Center is satisfied with using its auditing firm to prepare the external financial statements, no change is recommended. However, this matter will continue to be reported.

Management's corrective action plan: We concur with the finding and intend to pursue implementing the recommendations.

SHAW CENTER FOR THE ARTS, L.L.C.
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS

June 30, 2013

2012-1 Segregation of Duties/Financial Oversight

This matter has been reclassified as Item 2013-1.